

# **UTILITIES PRIVATIZATION**

## **SOURCE SELECTION**

### **EVALUATORS' GUIDE**



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HQ AFCESA/CEOC**

## **SOURCE SELECTION EVALUATORS' GUIDE:**

**PURPOSE:** Assist Source Selection Evaluation Team (SSET) members evaluate offerors' proposals submitted in response to Requests for Proposal (RFP) for Utility Privatization.

**NOTE:** Per SAF/AQCO direction, this guide is being provided only as a tool for source selection teams to use. The use of this guide is not mandatory, but is highly recommended when conducting source selection evaluations of Utilities Privatization proposals.

Section M, Evaluation Factors for Award, of the Air Force Utilities Privatization standard competitive RFP template, outlines the basis for contract award. Parts of Section M that pertain directly to using this guide are included here:

### **M.3.2 Contract Award.**

Subject to paragraph M.3.1, *Procedure*, a contract will be awarded to the Offeror who is deemed responsible in accordance with FAR 9.1, whose proposal conforms to the solicitation requirements, such as terms and conditions (see L.8.2), representations and certifications, and technical requirements and is judged to represent the best value to the Government. The best value is demonstrated by the Offeror providing the technical, management, and cost/financial capabilities necessary to fulfill the requirements of the contract by assuming total ownership of the Government's utility system. The best value is judged by an integrated assessment of the Evaluation Factors and Subfactors listed below to be the most advantageous to the Government.

The evaluation factors provide the baseline or required minimums (thresholds) for performance but not any desirables (objectives). Any features that enhance performance shall be considered in the best value determination. Subjective judgment on the part of the Government is implicit in the source-selection process. The Government shall also consider how well the Offeror complies with Section L instructions when evaluating an Offeror's capability. For a proposal to result in an awardable contract, the proposal shall meet all technical requirements and conform to all required terms and conditions, to include all required certifications, and meets the requirements of 10 USC § 2688.

### **M.4 Evaluation Factors and Subfactors**

The four evaluation factors are Mission Capability, Past Performance, Proposal Risk, and Price. The evaluation factors and subfactors are as follows:

- Factor 1: Mission Capability
  - Subfactor 1: Service Interruption/Contingency Plan
  - Subfactor 2: Quality Management Plan
  - Subfactor 3: Capital Upgrades and Renewals and Replacements Plan
  - Subfactor 4: Operational Transition Plan
  - Subfactor 5: Financial Capability
  - Subfactor 6: Small Business, Small Disadvantaged Business (SDB), Women-Owned Small Business, and Historically Black Colleges or Universities and Minority Institutions Participation (FAR 19.1202 and DFARS 215.304)

- Factor 2: Past Performance
- Factor 3: Proposal Risk
  - Subfactors Identical to Factor 1
- Factor 4: Price

#### **M.4.1 Order of Importance for Evaluating Factors and Subfactors:**

Mission Capability, Past Performance, and Proposal Risk are of equal importance and, when combined, are significantly more important than Price. Also, Price is equal to each of the factors when compared individually.

Mission Capability and Proposal Risk will be evaluated at the subfactor level. Under Mission Capability and Proposal Risk, Subfactors 1 and 2 are the most important and of equal importance. Subfactors 3, 4, and 5 are of equal importance but less important than Subfactors 1 and 2. Subfactor 6 is the least important of all the subfactors.

**FORMAT OF THE GUIDE.** This Source Selection Evaluators' Guide is organized by Factor and Subfactor. Subfactors are shown under each Factor. For each Subfactor, RFP references are shown, Evaluation Requirements from Section M of the RFP are included, the requirements from Section L of the RFP that tell the contractor what to propose for the Subfactor are shown, and references to the Subfactor in Section C of the RFP are listed.

For the Mission Capability Factor, Financial Capability Subfactor, the RFP requests offerors to submit specific criteria in order for the Government to accurately characterize the offeror's financial condition (RFP L.6.5). This guide provides an outline of what the different ratios may indicate.

### **FACTORS:**

#### **Factor 1, Mission Capability.**

Offerors' proposals will be evaluated based upon the specific subfactors shown. The color/adjectival rating depicts how well the offeror's proposal meets the evaluation subfactors and solicitation requirements. Mission Capability subfactors will be assigned one of the following color evaluation ratings (RFP M.4.2.7):

- **Blue: Exceptional.** Exceeds specified minimum performance or capability requirements in a way beneficial to the Government.
- **Green: Acceptable.** Meets specified minimum performance or capability requirements necessary for acceptable contract performance.

- Yellow: Marginal. Does not meet some specified minimum performance or capability requirements necessary for acceptable contract performance, but any proposal inadequacies are correctable.
- Red: Unacceptable. Fails to meet specified minimum performance or capability requirements. Proposals with an unacceptable rating are not awardable.

## **Factor 2, Past Performance.**

For Factor 2, each proposal will be assigned an adjectival/ confidence rating based on the definitions shown in that part of the guide. The information presented there is taken directly from the RFP, and is self-explanatory. Additionally, some evaluators may perform “due diligence visits” to verify information, where the evaluators physically contact references cited.

## **Factor 3, Proposal Risk.**

For Factor 3, each proposal will be rated for proposal risk as either high, moderate, or low, as outlined in that part of this guide.

## **Factor 4, Price.**

This guide does not address Factor 4, Price, as the total evaluated price will not be rated or scored, but will be a consideration in the final source-selection decision (RFP M.4.5).

## **ATTACHMENTS:**

Four forms from the United States Air Force Source Selection Procedures Guide, dated March, 2000 are included at the end of this document for use by evaluators.

- Atch 1: Rating Team Worksheet
- Atch 2: Evaluation Notice (EN)
- Atch 3: Analysis Worksheet
- Atch 4: Subfactor Summary

## **FACTOR 1: MISSION CAPABILITY**

### **SUB-FACTOR: Service Interruption and Contingency Plans**

**RFP References:** C.7, C.8, L.6.1, and M.4.2.1

#### **Evaluation Requirement (RFP M.4.2.1):**

Offerors will be evaluated on their proposed Service Interruption/Contingency Plan IAW Section C, *Description/Specifications/Work Statement*, paragraph C.7, *Service Interruption/Contingency Plan*, the applicable requirements of paragraph C.8, *Routine, Urgent, and Emergency Repair Response*, and the following.

The plan will be evaluated on the adequacy of both of the following:

1. Proposed emergency, urgent, and routine response procedures
2. Proposed procedures to deal with contingencies such as but not limited to:
  - Acts of God
  - Natural disasters
  - Equipment failure
  - Employee strikes
  - Default/bankruptcy
  - Cease-and-desist NOV's issued by a regulatory agency

To meet the minimum requirements of this subfactor, the proposed plan must ensure adequate means for responding within the time constraints established in paragraph C.8, *Routine, Urgent, and Emergency Repair Response*.

#### **Technical Proposal Requirement (RFP L.6.1):**

Offeror shall submit a Service Interruption/Contingency Plan IAW Provision M.4, *Evaluation Factors and Subfactors* and sufficient to meet the applicable requirements of Section C, *Description/Specifications/Work Statement*, paragraph C.7, *Service Interruption/Contingency Plan* and C.8, *Routine, Urgent, and Emergency Repair Response*.

The Service Interruption/Contingency Plan shall describe in detail the following:

- Cause of interruption
- Detailed contingency plan of action (including Government notifications)
- Estimated time for reestablishment of temporary service
- Estimated time for reestablishment of permanent service

#### **Components of Performance or Capability Requirements in Section C to consider:**

C.7 – Service Interruption/Contingency Plan	C.8.2 – Emergency Service Requests
C.8 – Routine, Urgent, and Emer Repair Response	C.8.3 – Urgent Service Requests
C.8.1 – Notification Procedures	C.8.4 – Routine Service Requests

## **FACTOR 1: MISSION CAPABILITY**

### **SUB-FACTOR: Quality Management Plan**

#### **RFP References: C.3.2, C.14, L.6.2, and M.4.2.2**

##### **Evaluation Requirement (RFP M.4.2.2):**

Offeror's proposed Quality Management Plan will be evaluated to assess the following:

1. (Written) How well the Offeror describes the implementation procedures to meet their proposed performance standards and/or specifications.
2. (Written) How well the Offeror demonstrates policies and procedures for operation and maintenance of the system.
3. (Written) Receipt of widely recognized quality awards or certifications.
4. (Oral) Demonstration of the Offeror's Quality Philosophy to include a clear process for obtaining customer feedback and the ability to translate that feedback to appropriate process improvements.
5. (Oral) Proposed Staffing Plan, which clearly defines the qualifications of each staff position for the operation of the utility system. The staffing plan shall also identify training and certifications required for each staff position and the Contractor's approach to ensuring personnel are current in training and certifications.
6. (Oral) Proposed system of performance metrics, inspections, and record keeping.
7. (Written) Ability of the offeror to provide a comprehensive Environmental Compliance Plan (only applicable to wastewater systems) from waste generation through waste discharge or disposal.
8. (Written) Proposed plans for providing certification/upgrade and proficiency training for military personnel, if required, in accordance with Paragraph C.14.

To meet the minimum requirement of this subfactor, the Offeror must define appropriate standards and/or specifications for day-to-day operations and maintenance, proposes a formal program that makes quality an integral part of daily work, establishes a process to use performance metrics for continuous improvement, and, as applicable for wastewater systems, defines procedures for environmental compliance.

##### **Technical Proposal Requirement (RFP L.6.2):**

The Contractor shall prepare and submit to the Contracting Officer a comprehensive Quality Management Plan (QMP). The QMP shall identify the performance standards and/or specifications that the Contractor will comply with for construction, operation, maintenance, management, environmental, and safety. At a minimum the QMP shall address all applicable federal, state, interstate, and local laws/regulations, the most current version of any base-specific requirements defined in the utility-specific attachments (Section J), and best engineering and management practices consistent with the following:

1. Electric distribution system(s): National Electric Safety Code (American National Standards Institute (ANSI)-C2), National Electrical Manufacturers Association (NEMA), National Electric Code (NFPA-70), and current reference materials published by the Institute of

Electrical and Electronic Engineers (IEEE), the Illuminating Engineering Society (IES), and the Insulated Cable Engineers Association (ICEA).

2. Natural gas distribution system(s): Code of Federal Regulations (CFR), Title 49 Parts 190, 191, 192 and 199 and the *DOT Guidance Manual for Operators of Small Natural Gas Systems*.
3. Water distribution and wastewater collection system(s): American Water Works Association (AWWA), Water Environment Federation (WEF), American Society of Civil Engineers (ASCE), National Fire Protection Association (NFPA), and Factory Mutual Global.

The QMP shall also define, in detail, the Contractor's operations and maintenance policies and procedures that implement all defined standards. The QMP shall ensure contract requirements are met and that the system is being operated and maintained in a manner consistent with its long-term ability to provide reliable, cost-effective, and compliant service. The Contractor shall also modify its service practices as needed to accommodate changes in legal requirements or industry standards.

Specifically, the QMP shall establish the Contractor's approach to quality service, to include, but not limited to, the following:

- Service Standards: The QMP shall define and address implementing procedures for the performance standards and/or specifications that the Contractor will comply with to meet the criteria listed in Table 7-1 below. The QMP shall also address implementing procedures for the standards that are specifically defined elsewhere in the statement of work.
- Staffing Plan.
- Quality Awards and Certificates.
- A quality philosophy based on accepted management practice to facilitate continuous improvements.
- A proven system of inspections or other quality assessment procedures and techniques, procedures, and performance metrics and standards to be used to assess and improve the quality and cost of contract work by identifying, reporting, and correcting deficiencies and preventing reoccurrence.
- Environmental compliance (wastewater systems only). This plan shall clearly define all interface points and responsibilities for transferring materials from the wastewater system between the Government, Contractor, disposal facilities, and any regulatory bodies.
- For wastewater treatment systems, the QMP shall include an environmental compliance plan that defines all interface points and responsibilities for transferring (wastewater) between the Government and Contractor facilities.
- The QMP shall also address detailed plans for providing certification/upgrade and proficiency training for military personnel, if required, in accordance with Paragraph C.14.
- Specialty skills training (if required)

**TABLE L-1**  
Service Standards Criteria

<b>Water System</b>	<b>Wastewater System</b>	<b>Gas System</b>	<b>Electric System</b>
Quality	Effluent Quality	Quality	Quality
Reliability	Reliability	Reliability	Reliability
Recurring and Preventative Maintenance	Recurring and Preventative Maintenance	Recurring and Preventative Maintenance	Recurring and Preventative Maintenance
Sampling/ Analysis	Sampling/ Analysis	(Left Blank)	Availability
Maintaining System Pressure	Permitting	Maintaining System Pressure	Voltage Regulation
Demand and Distribution Capacity	Demand and Collection Capacity	Demand and Distribution Capacity	Demand and Distribution Capacity
Water Storage Requirements	Pre-Treatment Requirements	Relighting Appliances	Limitation of Fault Current
Fire Flow Capacity/ Duration	(Left Blank)	(Left Blank)	(Left Blank)
Corrosion Control (To Include Cathodic Protection)	Corrosion Control (To Include Cathodic Protection)	Corrosion Control	Corrosion Control
Minimization of Leaks and Losses	(Left Blank)	Cathodic Protection	Lightning Protection and Harmonics Problems
Minimization of Water Use	Minimization of Inflow and Infiltration	Minimization of Leaks and Losses	Minimization of System Losses and Power Factor Corrections
Safety of Government Personnel and Property	Safety of Government Personnel and Property	Safety of Government Personnel and Property	Safety of Government Personnel and Property
Service Connection Standards and Specifications	Service Connection Standards and Specifications	Service Connection Standards and Specifications	Service Connection Standards and Specifications
Exterior Backflow Prevention	Blockages and Cross Connections	Leak Surveys	(Left Blank)
Water and Sewer Line Separation	Water and Sewer Line Separation	(Left Blank)	Line Separation
New Construction Standards	New Construction Standards	New Construction Standards	New Construction Standards
Commissioning Standards	Commissioning Standards	Commissioning Standards	Commissioning Standards
Color Identification and Markings	Color Identification and Markings	Color Identification and Markings	Color Identification and Markings
System Inspections	System Inspections	System Inspections	System Inspections



Water System	Wastewater System	Gas System	Electric System
Meter and Equipment Calibration	Meter and Equipment Calibration	Meter and Equipment Calibration	Meter and Equipment Calibration
Service Interruption Frequency	Service Interruption Frequency	Service Interruption Frequency	Service Interruption Frequency
Operating Permits	Operating Permits	Operating Permits	Operating Permits
Employee Certifications	Employee Certifications	Employee Certifications	Employee Certifications

Offeror may describe any quality awards or certifications that indicate the Offeror possesses a high-quality process for providing required services. Such awards or certifications include, for example, the Malcolm Baldrige Quality Award, other government quality awards, and private sector awards or certifications.

**Components of Performance or Capability Requirements in Section C to consider:**

C.3.2 – Performance Standards

C.14 – Specialty Training Requirements

## **FACTOR 1: MISSION CAPABILITY**

### **SUB-FACTOR: Capital Upgrades and Renewals and Replacements Plan**

**RFP References:** C.3.4, C.11.2, C.13.4.3, L.6.3, and M.4.2.3

#### **Evaluation Requirement (RFP M.4.2.3):**

The adequacy of offerors proposed Capital Upgrades and Renewals and Replacements Plan will be evaluated to assess how well it satisfies applicable provisions of Section C, *Description / Specifications/ Work Statement*, paragraph C.11.2, *Capital Upgrades and Renewals and Replacements Plan* and C.13, *Transition Plan*. The plan will be evaluated for the proposed means and methods for ensuring a long-term efficient system.

#### **Technical Proposal Requirement (RFP L.6.3):**

Offeror shall submit a Capital Upgrades and Renewals and Replacements Plan IAW Provision M.4, *Discussion of Factors and Subfactors*, and sufficient supporting information to meet the applicable requirements of Section C, *Description/Specifications/Work Statement*, paragraph C.11.2, *Capital Upgrades and Renewals and Replacements Plan* and C.13, *Transition Plan*. The Capital Upgrades and Renewals and Replacements Plan shall describe in detail the purpose, scope, and benefit of the initial capital upgrades and provide a detailed description of the Contractor's philosophy towards long-term capital renewals and upgrades. To include, as a minimum, the following:

1. (Written) Detailed description of all proposed initial capital upgrades and initial renewals and replacements to the utility system. A time phase plan for implementing proposed capital upgrades and initial renewals and replacements shall be included. (Costs associated with initial upgrades and initial renewals and replacements shall be included in Schedule L-3.)
2. (Written) Conceptual methodology that will be used for scheduling renewals and replacements for the duration of the contract to ensure long-term efficient level of service. (Cost associated with continuing renewals and replacements shall be included in Schedule L-2.)
3. (Written) A 50-year schedule for renewals and replacements of the major system components, given the information available in this solicitation, the technical library, and through site visits. The 50-year schedule should be presented as shown in the renewals and replacement schedule below. The Offeror shall clearly establish a direct correlation between the 50-year schedule for renewals and replacements and the annual proposed cost for continuing renewals and replacements (Schedule L-1). If the correlation includes a residual value at the end of the 50-year schedule, the Offeror shall clearly demonstrate the basis for the residual value.
4. (Written) Detailed description for adding or removing any Government-identified connection or disconnections.
5. (Written) Identification, justification, and detailed description of any Contractor-recommended additional upgrades and/or improvements to increase the efficiency of system operations.
6. (Written) As applicable, conceptual plans for, including methods for monitoring the effectiveness of, energy efficiencies and conservation upgrades for purposes as defined in paragraph C.3.4, *Energy and Water Efficiencies and Conservation*.

**Components of Performance or Capability Requirements in Section C to consider:**

- C.3.4 – Energy and Water Efficiencies and Conservation
- C.11.2 – Capital Upgrades and Renewals and Replacements Plan
  - C.11.2.1 – Renewals and Replacements
  - C.11.2.2 – Capital Upgrades
  - C.11.2.3 – Requirements and Standards
  - C.11.2.4 – Connections and Disconnections
  - C.11.2.5 – Other Information
  - C.11.2.6 – Capital Upgrades and Renewals and Replacements Plan Schedule
- C.13.4.3 – System Upgrades

## **FACTOR 1: MISSION CAPABILITY**

### **SUB-FACTOR: Operational Transition Plan**

#### **RFP References: C.13, L.6.4, and M.4.2.4**

#### **Evaluation Requirement (RFP M.4.2.4):**

Offerors shall be evaluated for their proposed Operational Transition Plan, IAW Section C, *Description/Specifications/Work Statement*, paragraph C.13, *Transition Plan*. The plan will be evaluated for adequacy in maintaining the continuous utility service and minimizing service impacts, while effectively transferring responsibility and accountability for utility system capital assets, permits, personnel resources, administration, and other system responsibilities, and for consideration of existing employees for hire. The operational transition plan should demonstrate a time phased process for:

1. (Oral) Transition of system operations including procedures for operation and maintenance during the transition.
2. (Oral) The Offeror's plans for onsite familiarization.
3. (Written) Time phase plan for implementing new connections and new meter requirements.
4. (Oral) The Offeror's approach and time schedule for obtaining any required operating permits.
5. (Oral) The Offeror's approach for inventory and logistics of transfer of utility system assets (fixed and non-fixed), manuals, and records.

#### **Technical Proposal Requirement (RFP L.6.4):**

The Offeror shall submit an Operational Transition Plan IAW Provision M.4, *Evaluation Factors and Subfactors* and sufficient supporting information to meet the requirements of Section C, *Description/Specifications/Work Statement*, paragraph C.13, *Transition Plan*. The transition plan shall propose an adequate time-phased turnover of the facilities, equipment, permits, operation and maintenance, and other responsibilities to include any new construction, installation of meters required for utility billing, turnover of meter readings and billing responsibilities, and the process for evaluating existing employees for employment.

#### **Components of Performance or Capability Requirements in Section C to consider:**

- C.13 – Transition Plan
  - C.13.1 –General Information
  - C.13.2 – System Operation and Maintenance During Transition
  - C.13.3 – Onsite Familiarization
  - C.13.4 – System Requirements
  - C.13.5 – Permits and Procedures
  - C.13.6 – Inventory and Transfer Requirements
  - C.13.7 – Initial Meter Readings

## **FACTOR 1: MISSION CAPABILITY**

### **SUB-FACTOR: Financial Capability**

#### **RFP References: L.6.5 and M.4.2.5**

##### **Evaluation Requirement (RFP M.4.2.5):**

Offerors shall describe in detail their capability to finance the utility system purchase price, CIAC tax payment and capitalization principal, renewals and replacements, and upgrades. At a minimum, the Offeror shall submit the following criteria for the past five years; Interest Coverage, Funds from Operation (FFO) to Interest Ratio, FFO to Total Debt Percentage, Total Debt to Total Capital Ratio (Debt Ratio), and Disaster Recovery Ratio (DRR), in order to accurately characterize the Offeror's financial condition. Failure to supply this information is sufficient to disqualify a proposal from further consideration.

The Offeror's financial capability will be evaluated for stability and adequacy to meet the long-term capital and cash needs to own, operate, and maintain the utility system(s). This is to be reflected in documented evidence that the Offeror is in sound financial condition and has the ability to secure the necessary financing to meet the financial and capital requirements needs of the utility system both now and in the future.

##### **Technical Proposal Requirement (RFP L.6.5):**

Offeror shall submit documentation of financial capabilities IAW Provision M.4, *Evaluation Factors and Subfactors*. Financial capability shall demonstrate that the Offeror is in sound financial condition and has the ability to secure the necessary financing to meet the financial and capital requirements of the utility system both now and in the future. At a minimum, the Offeror shall submit the following criteria for the past five years; Interest Coverage, Funds from Operation (FFO) to Interest Ratio, FFO to Total Debt Percentage, Total Debt to Total Capital Ratio (Debt Ratio), and Disaster Recovery Ratio (DRR), in order to accurately characterize the Offeror's financial condition.

##### **Analysis of Criteria Provided:**

The criteria listed above should only be evaluated by people experienced in reading and interpreting balance sheets and income statements. Great care must be exercised, as a sign change, an omission, or inclusion of the wrong information can change the ratios significantly. The criteria involve a combination of standard industry practice and experience. These ratios are not exact indicators, and should only be used as initial indicators, or flags, to show potential financial strength or weakness. Ratios falling in the lower parts of the spectrum should instigate further research.

**Electric and Natural  
Gas Investor Owned  
Utility Systems**

<b>Item</b>	<b>Poor</b>	<b>&gt;</b>	<b>&gt;</b>	<b>&gt;</b>	<b>&gt;</b>	<b>&gt;</b>	<b>Exceptional</b>
Interest Coverage	1.0x or less		1.0 – 2.2x		2.2 – 3.3x		3.3x or greater
FFO / Interest Ratio	1.1x or less		1.1 – 2.3x		2.3 – 3.4x		3.4x or greater
FFO / Total Debt	Below 7%		7% – 10%		10% - 12%		12% or greater
Total Debt / Total capital	Above 70%		60% - 70%		40% - 60%		Below 40%
Disaster Recovery Ratio	Above 40%		25% - 40%		15% - 25%		15% or less

**Water and Wastewater  
Investor Owned  
Utility Systems**

<b>Item</b>	<b>Poor</b>	<b>&gt;</b>	<b>&gt;</b>	<b>&gt;</b>	<b>&gt;</b>	<b>&gt;</b>	<b>Exceptional</b>
Interest Coverage	1.0x or less		1.0 – 2.2x		2.2 – 3.3x		3.3x or greater
FFO / Interest Ratio	1.1x or less		1.1 – 2.3x		2.3 – 3.4x		3.4x or greater
FFO / Total Debt	Below 6%		6% – 8%		8% - 10%		10% or greater
Total Debt / Total capital	Above 70%		60% - 70%		40% - 60%		Below 40%
Disaster Recovery Ratio	Above 40%		25% - 40%		15% - 25%		15% or less

**All Municipal and  
Cooperative  
Utility Systems**

<b>Item</b>	<b>Poor</b>	<b>&gt;</b>	<b>&gt;</b>	<b>&gt;</b>	<b>&gt;</b>	<b>&gt;</b>	<b>Exceptional</b>
Interest Coverage	1.0x or less		1.0 – 1.4x		1.4 – 2.0x		2.0 x or greater
FFO / Interest Ratio	1.0x or less		1.0 – 1.5x		1.5 – 2.1x		2.1x or greater
FFO / Total Debt	Below 5%		5% – 7%		7% - 12%		12% or greater
Total Debt / Total Capital	Above 80%		70% - 80%		60% - 70%		Below 60%
Disaster Recovery Ratio	Above 40%		25% - 40%		15% - 25%		15% or less

## **APPLICATION of CRITERIA:**

Because of the nature of the utility industries and businesses capable of bidding for the military utility infrastructure, it is expected that most, if not all, offerors will be ranked as Acceptable, or better. However, there may be weaknesses within this group of companies that must be examined to assure the long-term support of the Air Force mission.

Each Indicator of Financial Condition is calculated for both the latest financial reporting period available (i.e., the Current Year) and for the simple average of at least the prior three (3) historical years, (e.g.,  $(\text{ratio-year}_0 + \text{ratio year}_{-1} + \text{ratio year}_{-2})/3$ ). The preliminary ranking is the current year. If the 3-Year Average would result in the same ranking, no adjustment is needed, if the 3-Year Average results in a lower ranking, use the lower ranking in the evaluation. (Note; a higher indicator for the 3-year average is not considered as a reason to adjust the criteria ranking. This methodology allows both a current period financial review as well a longer-term perspective – without allowing one year of strong results to outweigh what could be long-term problems. Likewise, historically strong results can be negated by mistakes in the current period that seriously weaken the enterprise.

## **FINANCIAL PERFORMANCE CRITERIA:**

Generally, the order of increasing “risk” experienced by utility providers by type of system is: water, wastewater, electric, and of highest risk is natural gas. However, the broad classification of offerors makes this level of distinction irrelevant for this analysis. The one exception is in the case of the Disaster Recovery Ratio where there is a different level of maximum system that would be expected to need to be replaced under maximum disaster conditions, (see calculation methodology detail).

Investor-owned entities have somewhat different financial standards than do cooperative and municipal entities. Thus, presented below are financial condition measures with different expectations, as appropriate, for investor-owned entities and municipal / cooperative entities.

**Interest Coverage Ratio:** The interest coverage ratio is a basic ratio of financial strength that is widely used as an indicator of financial condition. Generally, for investor owned entities the financial markets expect the interest coverage ratio to be greater than approximately 2.5 times (x) for a moderate “investment grade” entity. A ratio below 1.0x indicates that an entity does not have sufficient earning to pay interest on outstanding debt and would be severely stressed to meet its total debt service requirements. The comparable ratio expectations for a municipal or cooperative entity are about 1.5x and 1.0x, respectively

**FFO / Interest Ratio:** Funds from Operation (FFO) is a measure of cash flow to interest expense requirements. Thus, as a ratio of an entity’s ability to use internally generated cash to pay its interest expense, this is a “Quality of Earnings” measurement. Normally, it is expected that this ratio is slightly higher than the corresponding interest coverage ratio. Thus, for investor owned entities the financial markets expect the FFO/Interest Ratio to be greater than approximately 2.6 times (x) for a moderate “investment grade” entity. A ratio below 1.0x

indicates that an entity may not have sufficient cash to pay interest on outstanding debt in the event of even a slight downturn in business activity. The comparable ratio expectations for a municipal or cooperative entity are about 1.7x and 1.0x, respectively

**FFO / Total Debt (%):** This is another view of the ongoing cash position of the entity. In this ratio, the FFO is compared to Total Debt as a measure of the cash earnings realized from invested capital. For investor owned entities the financial markets expect the FFO/Total Debt percentage to be greater than approximately 10% for a moderate “investment grade” entity. A FFO/Total Debt percentage below 7% indicates that an entity is not using its capital resources at a level that is favorably comparable to the industry and similar investments. The comparable percentage expectations for a municipal or cooperative entity are about 7% and 5%, respectively.

**Total Debt / Total Capital (Debt Ratio):** The financial leverage of an entity is measured by the debt ratio. Thus, an entity that uses more debt to finance its capital investments has more risk than does an entity that uses common equity (investor-owned), patronage capital (cooperative), or contributed capital (municipal) to support some or all of its capital investments. For investor owned entities the financial markets expect the Debt Ratio percentage to be below 50% for a moderate “investment grade” entity. A Debt Ratio above 70% percent indicates that an entity may not be able to make needed capital investments in as timely a manner as necessary to support the ongoing utility needs of the Air Force. Cooperative and municipal entities generally hold more debt, as a proportion of the capital structure, than do investor-owned entities. Thus, the comparable percentage expectations for a municipal or cooperative entity are about 70% and 80%, respectively

**Disaster Recovery Ratio (DRR):** Regardless of the type of entity providing service to the Air Force, they may be required to restore the utility system following a disaster. The disaster recovery ratio is a measure of the current maximum expected cost of system restoration to the capital investment capacity of an offeror. There is a limit as to the amount of new financing that an entity can sell in the financial markets in a short time period (i.e., one year). As a “rule of thumb” this amount is taken to be about 25 percent of existing total capital. Additional requirements, up to about 40% of total capital can be financed but would be spread over multiple years. Thus, a DRR of 15% or less indicates an exceptional offeror, a DRR between 10% and 25% indicates an Acceptable offeror, a DRR between 25% and 40% indicates a Marginal offeror, and a DRR above 40% indicates an Unacceptable offeror. There is no further distinction between investor owned, municipal, and cooperative entities. (See calculation methodology for differences in calculation depending upon type of utility system under consideration.)

**Financial Strength:** No simple set of financial ratios and measurements can capture all aspects of an entity’s financial condition. Thus, in addition to the financial measures defined above, there may be instances where other factors need to be considered to accurately assess the financial condition of the offeror. An example would be an entity that had acceptable ratios, as defined above, but following a physical, legal, or regulatory problem had declared bankruptcy. In general, it can be expected that offerors will be ranked as Acceptable/Exceptional under this measurement. However, in the event that there are additional considerations that need to be considered, this “assumed” ranking would be adjusted, as appropriate, to a lower ranking.



**Conditions:** There may be a need to identify specific conditions that would need to be met to allow an offeror to move from one rating to a higher rating. Such, “Conditions” are specified in this section. An example of a “Condition” might be a long-term irrevocable Letters of Credit (LOC) and/or Performance Bonds to allow the offeror to assure that utility service would be maintained under adverse financial conditions (e.g., bankruptcy or disaster recovery). In this example, although the offeror’s financial ratios are below standards for an Acceptable ranking, the financial resources under the control of the offeror, because of the LOC, may allow for an overall ranking of Acceptable.

## **DEFINITIONS:**

**Funds From Operations (FFO)** = Net Income + Depreciation + Deferred Taxes + Investment Tax Credits + AFUDC + Deferrals + Other FFO adjustments

**Average Total Debt** = (Long-term debt + Short-term Debt) current period / 2+ (Long-term debt + Short-term Debt) prior period / 2

**Interest Expense** = Gross Interest Expense as the sum of Long-term and Short-term interest (e.g., before any deduction for the debt portion of AFUDC)

**Interest Coverage Ratio** = Pretax Operating Income / Gross Interest Expense

**Total Debt** = Short-term Debt + Long-term Debt

**Total Capital** = Short-term Debt + Long-term Debt + Preferred Stock + Common Equity

## **Disaster Recovery Cash Requirement (DRCR):**

Replacement Cost New times Maximum Recovery Ratio

Maximum Recovery Ratio = Maximum Proportion of Utility System Destroyable in a Disaster

Maximum Proportion of Utility System Destroyable in a Disaster =

Electric – Mostly Overhead Cost New)	= 75% x Utility Plant (Replacement
Electric – Mostly Underground Cost New)	= 15% x Utility Plant (Replacement
Natural Gas Cost New)	= 20% x Utility Plant (Replacement
Water – with Elevated Storage Cost New)	= 35% x Utility Plant (Replacement
Water – without Elevated Storage Cost New)	= 10% x Utility Plant (Replacement

$$\begin{aligned} \text{Wastewater – with Treatment} &= 35\% \times \text{Utility Plant (Replacement} \\ \text{Cost New)} & \\ \text{Wastewater – without Treatment} &= 10\% \times \text{Utility Plant (Replacement} \\ \text{Cost New)} & \end{aligned}$$

$$\textbf{Disaster Recovery Ratio (DRR)} = \text{DRCR} / \text{Total Capital}$$

## **FACTOR 1: MISSION CAPABILITY**

**SUB-FACTOR: Small Business, Small Disadvantaged Business (SDB), Women-Owned Small Business, and Historically Black Colleges or Universities and Minority Institutions Participation (FAR 19.1202 and DFARS 215.304).**

**RFP References: L.6.6 and M.4.2.6**

### **Evaluation Requirement (RFP M.4.2.6):**

The Offeror will be evaluated to determine the extent of participation of Small Businesses, SDB concerns, Women-Owned Small Businesses, and Historically Black Colleges or Universities and Minority Institutions in performance of the contract based on the following:

1. The extent to which such concerns are specifically identified
2. The extent of commitment to use such concerns (enforceable commitments will be weighted more heavily than non-enforceable ones.)
3. The complexity and variety of the work such concerns are to perform
4. The realism of the proposal
5. Past performance of Offerors in complying with requirements of the clauses at FAR 52.219-8, Utilization of Small, Small Disadvantaged and Women-Owned Small Business Concerns, and 52.219-9, Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Plan
6. The extent of participation of these concerns in terms of the value of the total acquisition.

### **Technical Proposal Requirement (RFP L.6.6):**

All Offerors (large and small businesses) shall provide a clear, detailed, and logical plan IAW Provision M.4, *Evaluation Factors and Subfactors* which expresses definitive commitments to small businesses, SDB concerns, Women-Owned Small Business, and Historically Black Colleges or Universities and Minority Institutions in performance of the contract.

## **FACTOR 2: PAST PERFORMANCE**

### **RFP References: L.7 and M.4.3**

#### **Evaluation Requirement (RFP M.4.3):**

This factor will be evaluated as a measure of the Government's confidence in the Offeror's ability to successfully perform based on current and previous (within the past 5 years) contract efforts. In assessing past performance, the Government will use past performance data to evaluate the Offeror's ability to perform the contract based on the Mission Capability subfactors. The recentness and relevancy of the past performance will be critical in determining the overall performance rating.

In determining relevancy of a proposed contract, the Government will consider the experience in owning and/or operating and/or maintaining utility systems of similar size and complexity as the DoD systems included in this RFP as proposed on by the Offeror. In evaluating this factor, the Government will use the present and past performance information gathered from offeror-provided references (Section L, Attachment 1).

An Offeror with no relevant past performance history may receive a rating of neutral/unknown confidence. However, a higher-than-neutral rating may be achieved if the Offeror proposes management personnel who have a successful record of performance on relevant and recent contracts, or if a proposed subcontractor (who will be performing a significant portion of the work) has a "very good" or better performance history on relevant and recent contracts.

In addition, the Government may use information gained from other sources known to the Government to evaluate past performance, provided such information is recent (within the past 5 years).

The confidence assessment represents the Government evaluation team's judgment of the probability of an Offeror successfully accomplishing the proposed effort based on the Offeror's demonstrated present and past performance. Past performance will receive an overall factor rating.

Each proposal will be assigned a rating based on the following definitions:

<b>Rating</b>	<b>Definition</b>
Exceptional/High Confidence	Based on the Offeror's performance record, essentially no doubt exists that the Offeror will successfully perform the required effort.
Very Good/Significant Confidence	Based on the Offeror's performance record, little doubt exists that the Offeror will successfully perform the required effort.
Satisfactory/Confidence	Based on the Offeror's performance record, some doubt exists that the Offeror will successfully perform the required effort.
Neutral/Unknown Confidence	No performance record identifiable (see FAR15.305[a][2][iii] and [iv]).
Marginal/Little Confidence	Based on the Offeror's performance record, substantial doubt exists that the Offeror will successfully perform the required effort. Changes to the Offeror's existing processes may be necessary to achieve contract requirements.
Unsatisfactory/No Confidence	Based on the Offeror's performance record, extreme doubt exists that the Offeror will successfully perform the required effort.

**Past Performance Requirement (RFP L.7):**

The Offeror shall submit to the Contracting Officer its past performance information (contact references per Section L, Attachment 1) on the date specified in Section A. An original and four hard copies of the offeror's past performance information shall be submitted in five individual loose-leaf binders. The Offeror shall submit the rest of its initial proposal no later than the solicitation closing date and time.

Offerors shall provide information about their past performance on projects of similar complexity, and the offeror's approach to accomplishing work required in the RFP. Offerors shall present the information requested in attachment 1 below as part of their proposal for both the Offeror and major (over \$500,000) proposed subcontractors.

Offerors shall provide references for up to 6 of its largest customers (by demand capacity), and/or projects of similar scope. Projects cited and references should be recent (within 5 years of the date of the proposal). The references should be limited to a brief description of the services and facilities provided, together with name of client contact. Ensure referenced contact has the capability of addressing the items in the past performance questionnaire (i.e. technical, financial, regulatory, etc.). If the Offeror fails to provide valid client contacts, past performance references may not be considered. The Government may contact the offeror's references to determine customer satisfaction with various aspects of the offeror's performance.

Offerors shall provide a list of all system acquisitions in the last 5 years or all contracts and subcontracts currently in progress, which are of similar scope, magnitude, and complexity. Contracts listed may include those entered into by the Federal Government, agencies of state and local governments and commercial customers. The list must include, as a minimum, the following:

- Name of acquisition or project
- Brief description of contract or subcontract
- Total contract value
- Period of performance
- Principal parties involved and telephone numbers

The Offeror shall provide references for any proposed subcontractors that will be performing a significant portion of the work and for each firm participating in a joint venture or teaming arrangement.

### **FACTOR 3: PROPOSAL RISK**

#### **RFP References: M.4.4**

#### **Evaluation Requirement (RFP M.4.4):**

This factor focuses on the risks, weaknesses, and strengths associated with an Offeror's approach and experience. Proposal risk will be assessed at the Mission Capability subfactor level. Those subfactors are:

- Subfactor 1: Service Interruption/Contingency Plan
- Subfactor 2: Quality Management Plan
- Subfactor 3: Capital Upgrades and Renewals and Replacements Plan
- Subfactor 4: Operational Transition Plan
- Subfactor 5: Financial Capability
- Subfactor 6: Small Business, Small Disadvantaged Business (SDB), Women-Owned Small Business, and Historically Black Colleges or Universities and Minority Institutions Participation (FAR 19.1202 and DFARS 215.304)

Proposal risk represents the risks that are identified with an Offeror's proposed approach and experience as it relates to accomplishing the requirements of the solicitation.

Proposal Risk Ratings:

Each subfactor under Mission Capability will be assigned one of the following proposal risk ratings:

Rating	Definition
High Risk	Likely to cause significant disruption of schedule, increased cost, or degradation of performance. Risk may be unacceptable even with special Contractor emphasis and close Government monitoring.
Moderate Risk	Can potentially cause some disruption of schedule, increased cost, or degradation of performance. However, special Contractor emphasis and close Government monitoring will probably be able to overcome difficulties.
Low Risk	Has little potential to cause disruption of schedule, increased cost, or degradation of performance. Normal Contractor effort and normal Government monitoring will probably be able to overcome difficulties.

## ATTACHMENT 1

### RATING TEAM WORKSHEET

**OFFEROR:**

☐ INITIAL EVALUATION

☐ FINAL EVALUATION

**MISSION CAPABILITY PROPOSAL ASSESSMENT:** ☐ BLUE (Exceptional) ☐ GREEN (Acceptable)  
☐ YELLOW (Marginal ) ☐ RED (Unacceptable)

**NARRATIVE** (Include strengths, proposal inadequacies, and deficiencies (material failure to meet Government requirement)): (Explain how proposal exceeds or fails to meet performance capability. If exceeds explain how it benefits the Air Force.)

**PROPOSAL RISK:** ☐ LOW ☐ MODERATE ☐ HIGH (Indicate risk rating of low, moderate, or high for each subfactor or element, if used and weaknesses)

**PAST PERFORMANCE:** ☐ HIGH CONFIDENCE ☐ SIGNIFICANT CONFIDENCE ☐ CONFIDENCE  
☐ UNKNOWN ☐ LITTLE CONFIDENCE ☐ NO CONFIDENCE

**NARRATIVE:**

**PRICE/COST:**

TOTAL PRICE/COST \$ \_\_\_\_\_

**NARRATIVE:**

**EXCHANGES WITH OFFERORS**

\_\_\_\_\_  
SIGNATURE (Contracting Officer)

\_\_\_\_\_  
SIGNATURE (Technical)

ATTACHMENT 1

## ATTACHMENT 2

### EVALUATION NOTICE (EN)

\_\_\_\_ FAR 15.306(a) Clarification Offeror \_\_\_\_\_

\_\_\_\_ FAR 15.306(b) Communications Control# \_\_\_\_\_

\_\_\_\_ FAR 15.306 (c) Discussions

\_\_\_\_ Deficiency

---

**RFP REFERENCE** (*Specify RFP paragraph number, Section M reference, etc.*)

**GOVERNMENT COMMENT:**

Factor \_\_\_\_\_

Subfactor \_\_\_\_\_

Element \_\_\_\_\_

**PROPOSAL REFERENCE:** (*Specify offeror's document, Proposal Volume, paragraph, and page number*)

**SUMMARY:** Description of issue in question and specific request for additional/supplemental information needed to clarify or correct the issue. Include references to the solicitation if necessary.

**EVALUATOR:** (Note: The evaluator's name should not be included on the copy sent to the offeror.)

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**OFFEROR RESPONSE:**

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**EVALUATOR ASSESSMENT OF OFFEROR RESPONSE:** Address impact (including impact on offeror ratings, if any) and evaluate response.

## ATTACHMENT 2



## ATTACHMENT 3

Source Selection: ANALYSIS WORKSHEET

Evaluator:

Offeror:

Factor

Subfactor

Element

### MISSION CAPABILITY (MC)

Component of Performance or Capability Requirement

What is Offered

Analysis

How Proposal Exceeds, Meets, or Fails to Meet Performance or Capability Requirements

Strengths(MC) (Start narrative with "Strengths:" )

Inadequacies/Deficiencies (MC) (Start narrative with "Inadequacies:" or "Deficiencies:")

### PROPOSAL RISK (PR)

Positive Aspects/Weaknesses/Deficiencies (PR)

(Start narrative with "Positive Aspects:", "Weaknesses:" and "Deficiencies:")

Evaluation Notice Required?:

ATTACHMENT 3

## ATTACHMENT 4

Source Selection: SUBFACTOR SUMMARY

Author:

Offeror:

- ☐ Initial Summary
- ☐ Pre-FPR Summary
- ☐ Final Summary

Factor

Subfactor

Element

Proposal Description

MISSION CAPABILITY (MC)

Color Rating:

Strengths Details

Strengths Summary

Inadequacies/Deficiencies (MC) Details

Inadequacies/Deficiencies (MC) Summary

PROPOSAL RISK (PR)

Positive Aspects/Weaknesses/Deficiencies (PR)Details

Positive Aspects/Weaknesses/Deficiencies (PR) Summary

Comments:

Reviewed by: \_\_\_\_\_

ATTACHMENT 4